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DEVELOPMENT OF ECONOMY IN UKRAINE

Although a market economy by definition is more effective than a centrally planned economy, various countries in transition have faced the problem of economic inefficiency. Talking about this situation we can mention Ukraine. Nowadays it is a country with economy in transition, but as in any other country our government and population want our economy to be much more developed.

In its economic history, Ukraine has evolved first from an agricultural to an industrialized, and then to a service-oriented country. Major industries include coal, electric power, machinery, chemicals, food processing, woodworking, and tourism. The industrialization of Ukraine started in 1930s when it was a part of the Soviet Union. Having inherited a huge industrial potential from the USSR, Ukraine, as an independent country, had lost a part of its industrial capacity due to ongoing inner political and economic crises. The dependence on Russian energy supplies is also a problem as there are non-economic, social factors, including an under-developed institutional and social infrastructure and corruption, which have been further delaying Ukraine's transition to a fully developed industrial/service economy [1].

Ukraine's reforms in its transition from a state-led system toward a market economy did result in some early successes. However, the system is still struggling in many ways, especially when it comes to corruption and the business environment.

The standard early measurements of the progress during a country's transition are the indicators of the European Bank for Reconstruction and Development (EBRD). The EBRD rates countries' progress on a scale from 1 to 4+, with 1 being the lowest and 4+ the highest score assigned. At 1, no progress has been made since socialist times. At 4+, the country has reached developed market-economy standards. Countries are rated in various areas, such as privatization, competition, and infrastructure reform. Thus countries with little private ownership are given a score of 1, while those countries with overwhelmingly large private sectors receive a score of 4+. While the relative sizes of public

and private sectors are usually relatively easy to measure, some other dimensions of transition from central planning to markets are not. This, for instance, is the case with infrastructure reform. Here different sets of data must be combined with expert evaluation by EBRD economists. In spite of such uncertainties, the EBRD transition indicators are widely used. They are available for all Eurasian transition countries for many years [2].

The indicators show little change in Ukraine in the early 1990s. In 1993, just four of the thirteen indicators had advanced from level 1 («no change»), and the highest score was only 2. In contrast, just three years later only four indicators, all in infrastructure reform, remained at 1. The best performing area, price liberalization, had progressed to 4-, just two grades down from the highest possible score of 4+. There was improvement, then, on these measures at least.

Overall, by 2005 Ukraine had not gotten the highest score on any of the EBRD indicators, but it was just one grade away in small-scale privatization and price liberalization. Liberalization in a wide sense was always much easier than restructuring existing enterprises, where Ukraine lagged badly at grade 2.

The situation measured by the indicators was also bad in other relatively complicated reform dimensions, like infrastructure, non-banking financial institutions, and banking reform. The score for competition policy was low as well at 2+, but there the best score among all assessed countries remained at just 3 [3].

In 2010, Ukraine's trade and foreign exchange system had joined the top performers, but still the country did not reach the highest score in any aggregate dimension. The laggards remained those already mentioned — notably the financial sector and competition policy — along with enterprise restructuring, competition policy, and infrastructure reform all at just 2+. These are the kinds of technically demanding reforms that also require a high degree of political will and consensus in the face of invested rent-seeking interests, both characteristics that Ukraine has lacked.

The EBRD transition indicators have not only been available across the transition countries since 1989, they are also simple and have therefore been indispensable for researchers and public discussion alike. But they are based on subjective assessments and tend to reject the traditional transition thinking as a fundamental matter of state

withdrawal from the economy. The more control a state gives up, the more progress is being made, according to these assessments [4].

Also talking about Ukraine, we can mention, that the level of economic development is rather low. By 2010 Ukraine remained in a severe economic crisis — the Ukrainian hryvna had depreciated almost 50 percent against the U. S. dollar since 2008, with GDP contracting 14 % in 2009. In 2010, GDP grew by 2-3 % only; unemployment and inflation rates remained high. While Ukraine's economy in the first quarter of 2013 decreased by 1,1 %, the decrease in construction sector reached 14,8 %, production of industry sector decreased to over 5 %. 5,7 % growth at agriculture and forestry, 3,1 % growth at trade sector unfortunately couldn't stop the decrease in the economy. In the direction of current information and reviews, the government expects growth between 1-1,5 % in 2013. According to IMF, this year Ukraine will not be able to achieve growth. The most pessimistic forecast for the country's growth belongs to the European Bank of Reconstruction and Development, which Ukraine's Office is headed by a Turkish Banker Mr. Sevki Acuner. According to this organization, this year there will be a decrease of 0,5 in the economy of Ukraine. These economic conditions continue to create the conditions favorable for the criminal element. The root causes of the Ukrainian economic crisis remain largely unaddressed.

So as we see nowadays Ukraine has a dream to become a country with developed economy, but nowadays we can't say about stability of Ukrainian economy. Now it's not on a good level, but we hope in the future it will grow up and Ukrainian nation will be proud of their living here.

References

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